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CENTRAL INTELLIGENCE AGENCY

Memorandum

SOVIET POLICIES AND PROBLEMS ON THE EVE
OF THE MOSCOW NEGOTIATIONS

3 July 1963

DIRECTORATE OF INTELLIGENCE

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MEMORANDUM: Soviet Policies and Problems on the
Eve of the Moscow Negotiations

Summary

Despite several notable successes in the past five years, the USSR's position in mid-1963 is less favorable than Khrushchev probably anticipated after he assumed complete power in Moscow in early 1958. There has been no fundamental resolution of the many domestic issues which face the Soviet leaders, including those of allocation of economic resources and the alienation of the intelligentsia from the regime. Nor has there been, or is there much prospect of, a resolution of foreign policy or Communist bloc problems. Soviet relations with China appear, if anything, to be worse. Soviet authority in Eastern Europe continues to be challenged, and the Communist leaders in Eastern Europe face mounting economic and political difficulties. No prospect for achievement of Soviet objectives in Berlin appears in sight. On balance, the present period seems inauspicious for Khrushchev to make major changes in the direction of Soviet policy. There are recent indications, however, that the Soviets wish the Moscow negotiations to take place in an amiable atmosphere. It is possible that Khrushchev wishes to explore the chances for limited agreement which might open the way for a somewhat more lasting relaxation of tensions with the US.

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KHRUSHCHEV'S PROBLEMS

1. The USSR's position in mid-1963 is less favorable than Khrushchev probably anticipated five years ago, after he defeated Malenkov and Molotov and assumed complete power in Moscow. At that time Khrushchev's thinking was pervaded by a general optimism. He apparently judged that he had overcome the political turbulence unloosed by de-Stalinization, that he had taken the necessary steps to resolve the nation's economic problems, and could look forward to steady and substantial internal progress. His view of the bloc seems to have been that Soviet policy could provide guidance more effectively with a looser hand while preserving the essentials of Moscow's leadership. Looking out upon the non-Communist world, Khrushchev had considerable hopes that the trends in the underdeveloped areas would continue to run in his favor. He was also evidently persuaded that the USSR's early Sputnik and ICBM successes could be translated into substantial political gains against the West.

2. To be sure, during this five-year period Khrushchev has registered notable successes. There has been a procession of firsts in outer space and notable technical progress in missiles and nuclear weapons. The Berlin Wall has greatly eased the problems of the client state of East Germany. Cuba's accession to the Communist camp remains a major gain. Nevertheless, the Soviet leadership has come to recognize the last five years as a period in which problems accumulated.

3. Many of the problems facing Khrushchev are the result of his erroneous assumptions and the policies he pursued based on these calculations. His economy has proved incapable of achieving the ambitious array of objectives he publicly set forth. His foreign policy has not yielded the more or less constant advance he expected; major concessions from the West have not been forthcoming. In the bloc his tolerance of a looser relationship has accelerated the trend toward national diversity. On the other hand, some of Khrushchev's difficulties are endemic to Soviet society and the result of inevitable change as the Communist bloc expanded into East Europe and Asia. These problems, intellectual disaffection in the USSR and the crisis with China

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over Soviet authority in the Communist world, were probably inevitable and will almost certainly continue after Khrushchev.

4. Last fall Khrushchev sought to solve many of his problems with one bold stroke by placing strategic missiles in Cuba. He must have anticipated that if this venture succeeded he would have gained a strong position to deal with the West on Berlin, to reduce some of his economic commitments to military spending, to press on with de-Stalinization, and to demonstrate to the Chinese his skill and determination in the East-West contest. Failure in Cuba, however, has aggravated all the problems which the Soviets meant the Cuban venture to resolve. For the first time since 1957, there were sufficient signs of crisis in the top leadership to prompt speculation that Khrushchev's authority and position were being questioned.

Internal Politics

5. Soon after the November meeting of the Central Committee it became apparent that some of Khrushchev's plans had miscarried, partly as a result of the Cuban failure, and partly because of internal political difficulties caused by a dubious and obstinate presidium. In the intervening months, until about mid-April, Khrushchev apparently was generally discouraged over the misfortunes of his policies and may have had little choice but to accede to a more conservative trend of opinion led, perhaps, by the "second secretary," Frol Kozlov.

6. If Khrushchev's influence waned during this period, he now appears to have reasserted both his personal leadership and some of his more traditional policies. The recent meeting of the Central Committee seemed to set the seal on his resurgence, which, in retrospect, dates in the main from the time of Kozlov's last public appearance on 10 April. Khrushchev's ability to come back after a series of setbacks and reversals testifies to the inherent advantages of his commanding position and to his skill in coping with resistance. It now appears unlikely that Khrushchev's position will be seriously challenged by any of his colleagues in the near future, although policy debates are almost certain to continue.

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7. There are two important implications of this temporary crisis of leadership in Moscow. First, there appears to be among the leaders under Khrushchev a strong conservative viewpoint; a tendency to be cautious and methodical in the approach to Soviet problems, and more reluctance than on Khrushchev's part to experiment and innovate. Second, even within this conservative grouping there are shadings of opinion. Although it is almost impossible to sort out the various political alignments among the top leaders, the past few months have provided good evidence that the Soviet leaders are not agreed on how to resolve the problem of intellectual ferment in the USSR, or how to handle the chronic problems of the economy.

Economic Problems

8. It is clear that the condition of the economy occupied a central position in the disputes agitating the Soviet leaders during the winter and early spring. In essence, the domestic economic difficulties faced by the Soviets became evident in the slowdown in rate of growth which appeared by 1960 in all sectors of the civilian economy. This phenomenon was, in turn, occasioned largely by past reductions in the workweek, stagnant agricultural production, and, most important, the impact of growing military expenditures.* The Soviet effort to equal or exceed the US in military strength and space exploits, and to maintain at the same time a growth rate that would bring Soviet industrial production to per capita equality with that of the US by 1970, had clearly proved to be

*Industrial production, which grew at an average of 9 percent from 1955 to 1959, slowed to 7 percent in 1960 and 1961, and 8 percent in 1962. Agricultural output in 1962 was no greater than in 1958, while population increased by 14 million. GNP grew 4 percent in 1962, compared to 5 percent in 1961 and 7 percent from 1955 to 1959. The upturn in defense spending began in 1958 after a decline during the demobilization period of 1955-57; the rise in 1962 was considerably more than the rise in GNP or in investment.

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too much for the resources of the economy. The pressure on resources was further complicated by the need to pull agriculture out of its present period of stagnation. The urgency of resolving the agricultural problem became more apparent when the inadequacy of food supplies led to consumer discontent culminating in the meat-price riots of the summer and fall of 1962. Increasing strain on available resources stimulated competing demands by various sectors of the economy. This competition was reflected in political maneuvering, and is likely to remain a major internal issue for some time to come.

9. Judging by announced plans and Khrushchev's optimistic promises and predictions, it appears that the Soviet leaders did not expect or prepare for this slowing of economic growth. The period following June 1961, when Khrushchev announced an increase in defense spending, has been one of grudging adjustments, short-run expedients, and a general unwillingness to take drastic measures, at least until quite recently. Measures such as plowing up millions of hectares of pasture lands, attempting to concentrate investment effort on priority construction projects, calling for increased multiple shifts in machine building, and repeated reorganizations of industry and agriculture have been largely ineffectual. In the past 12 months, however, the regime has begun to take direct but painful steps to bring its plans and commitments into line with its resources. The Seven-Year-Plan is in process of being comprehensively reworked for the remaining two years of the plan period (1964-1965) and detailed scrutiny of all projects in the investment program is a part of the replanning effort. This in turn is likely to involve a review of all priorities.

10. Khrushchev has apparently already decided to allocate greater resources to agriculture and to those branches of the chemical industry which support agriculture produce consumer goods. No such decision has been taken, however, on the broader question of the consumer-goods program versus heavy industry, or on the question of choosing between defense expenditures and investment for industrial growth. The latest evidence is still consistent with a forecast of a five-percent increase in defense expenditure for 1963, as compared with ten percent in 1962, but even this relatively moderate rate of increase will make it difficult to restore

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industrial and overall economic growth to previous rates. It is clear that the Soviet leaders must either sacrifice or stretch out their goal of catching up with the US economy, or curtail their defense and space build-up. So far the pressure to counter the US arms build-up and stay ahead in the space race has prevailed.

Troubles With the Intelligentsia

11. Although the Sino-Soviet dispute overshadowed the recent plenary meeting of the Soviet Central Committee, the session demonstrated the breadth of the intellectual revolt against the leadership and the party's inability to cope with the general ideological malaise. Though this is a long-standing problem, the latest storm over cultural affairs dates back to Khrushchev's revival of de-Stalinization last fall when he ordered the publication of further exposés of the Stalin era. As a result, art, sculpture and music as well as literature were quickly infused with a sense of increased freedom of creativity, and long-hidden experimental works were brought out for public discussion. More than artistic experiment was involved, however. The intellectuals brought into the open the hitherto largely unspoken question of the present leadership's responsibility for Stalin's crimes and, consequently, its fitness to rule today. Implicit in their revolt is also a repudiation of the way in which the party defines its historic mission and its allegation that the Western world is inevitably hostile to the USSR.

12. The recent Central Committee plenum showed the regime's special sensitivity to this contention that the older generation does not deserve the respect of its sons. Yet the plenum made no progress in further defining the harsher policy initiated last March in order to restrain these heretical trends of thought. The party's principal spokesman adopted an essentially negative and defensive approach, and fell back on generalizations and veiled threats. The few specific proposals which he offered were not adopted. Above all, the plenum revealed the party to be caught in a dilemma: aware that mild treatment would encourage further heresy, but reluctant to return to the oppressive Stalinist climate which might effectively quell the intellectual ferment. In effect, the party has failed to chart a clear course, and the intellectuals will almost certainly

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continue in one way or another to show signs of their alienation from the regime.

Sino-Soviet Relations

13. The most immediate problem for Khrushchev is the meeting with the Chinese Communists. The vicious Chinese letter attacking every phase of his foreign and domestic policies, and the unprecedented public rebuke of the Chinese by the Soviet Central Committee, make it abundantly clear that Khrushchev's call for a "cooling-off" period has been without effect. The Chinese have raised new issues involving Soviet domestic practices which make it impossible for any Soviet negotiator even to deal with such claims. On the other hand, the Soviet Central Committee has bound the Soviet negotiators to "set forth and defend the position of the CPSU on the main questions of principle of the world Communist movement." Both sides have thus adopted public positions which indicate that they view the forthcoming meeting not as a forum for negotiation but as an opportunity to blacken the reputation of the other in the Communist world and build a record for future indictments.

14. The main tactical problem facing both parties is not whether they can devise some superficial formulas to contain their antagonism, but whether one or the other can throw onto its opponent the responsibility for the ever-widening split in the Communist movement. Such maneuvering will probably revolve around the issue of whether an international meeting of all Communist parties should follow the bilateral talks, particularly since the substantive debate may founder on the procedural questions of the agenda. In this event, the Chinese will almost certainly demand an international gathering, and the Soviets probably will resist and stall as long as possible, even though there is likely to be pressure on Moscow from smaller parties to convene a meeting at which they could try out their role as conciliators. If it appears to the Chinese that the Soviets intend to stall indefinitely, Peiping might even sponsor its own international meeting.

15. Regardless of the specific outcome of the July talks, the split between Peiping and Moscow is almost certain to widen.

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